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SUBJECT: (C) RECENT TAX AND PROPERTY TALKS WITH ISRAEL A FAILURE,
SAYS VATICAN

REF: Vatican 51

CLASSIFIED BY: Julieta Valls Noyes, CDA, EXEC, State.

REASON: 1.4 (b)

11. (S) Summary: The Holy See chief negotiator says the latest talks on implementation of the Vatican-Israel Fundamental Agreement (reftel) were a complete "failure." In an unusually frank move, the Holy See official shared his negotiating diary with the Embassy to detail how the talks broke down. Talks will resume on April 23. Their progress (or lack thereof) will not derail the Pope's early May trip to Israel, though another bitter round of talks could make the trip more uncomfortable. Meanwhile, the Vatican may be setting the stage to ask the U.S. to intercede with Israel to negotiate more constructively on the outstanding property and taxation issues. End Summary.

12. (C) The Vatican's chief negotiator with Israel contacted CDA immediately upon his return from Jerusalem for the April 2 round of discussions on the implementation of the Fundamental Agreement governing bilateral relations. Father Davide Jaeger said that the negotiation was a failure, "not so much due to the Israeli negotiators themselves as to the lack of timely instructions from the new Government." Despite this understanding, Father Jaeger lamented that the Israelis did not postpone the talks under the circumstances. This would have saved the Holy See team "a lot of time and expense and bitterness."

13. (S) To explain the extent to which and reasons why the talks had failed, Jaeger took the highly unusual move of sharing with CDA a copy of his negotiating journal. His entries state that:
-- All Israeli negotiators skipped the traditional opening event, on the pretext that they had to meet with the Tourism minister to discuss the Pope's visit. ("They did not see the irony in claiming to be working to favour the Pope's visit while disrespecting the Pope's own envoys," the journal reads.)
-- The senior Israeli Treasury negotiator skipped the entire negotiation, although his portion of the agreement needed only "half an hour or so" of talks to finish it.
-- The Israelis sought to restrict further the areas to be safeguarded as sacred sites for the Holy See under the agreement, and could not explain why when asked.
-- Israel had previously agreed to text stating that the protected areas would not be subject to eminent domain, but reneged on that commitment in this round. When the Holy See protested this was a regression in negotiations, the State of Israel "responded angrily." The Vatican proposed breaking off this round of talks at this point and Israel refused.
-- The Vatican has been seeking social security coverage for clergy and religious serving in Israel, and the Israelis have been negotiating this point for years. At this round, the Israelis uncovered a law from 2003 that expressly excludes people in these categories from such coverage. "This is when all recognized that this meeting of the Commission had failed irretrievably" and talks ended.
-- There was no joint communique issued at the end of the talks, as had been customary.

14. (C) As next steps, the Vatican and Israel decided not/not to

hold the broader Plenary group meeting on April 23 as previously agreed, instead converting that session into another negotiation of the smaller working-level Commission. The Plenary was rescheduled for April 30.

15. (C) Comment: Father Jaeger had concerns going in that the new Israeli government would be much harder to negotiate with than its predecessor and feels that those fears have now been proven accurate. The road ahead for these technical talks - which have already gone on for twelve years - looks bumpy. The Pope is decided to travel to Israel and Jordan in May and the failure of this or the next round of discussions will not change that. But if the next talks are as difficult and bitter as the last, it could make the Pope's visit more difficult for all concerned. The Vatican may also, in the event of an impasse, ask the USG to press Israel to approach the talks more constructively. End Comment

NOYES